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REMARKS BY GOVERNOR DICK RILEY  
BEFORE A JOINT SESSION OF THE  
105TH SOUTH CAROLINA GENERAL ASSEMBLY

STATE OF THE STATE ADDRESS

JANUARY 19, 1983

Mr. President, Mr. Speaker, Members of this Joint Assembly,  
My Fellow South Carolinians:

South Carolina has a great deal to do this year, so permit me to go directly to the substance of my recommendations.

I begin my 1983 State of the State Address by calling on this Assembly to act responsibly and immediately on Senate Reapportionment. This is a mighty task but it need not hold up all other issues. My personal preference is a single member district plan. We must not abdicate to the courts what the people elected us to do.

Secondly, we must finish two important pieces of old business.

1. South Carolina has been the chief voice for a sound national low level nuclear waste policy. As such, we have urged the creation of interstate compacts. Our Southeastern Compact is ready and, if all goes well, South Carolina will be out of the low level nuclear waste business by 1992. Other states are waiting on us. This needs your quick approval.
2. South Carolina needs and must have an Intermediate Court of Appeals. The thousands of people trapped in the Supreme Court's backlog must not be denied their due process of law any longer. This matter should be resolved immediately.

These three issues are difficult, I realize, but I believe the people want them decided. As Governor, I stand ready and willing to offer my help in seeking the solutions. But we must settle these issues quickly and effectively and move on.

Now, let us turn to the future.

I begin with jobs.

As you and I know, this nation and this state is in the midst of a new industrial revolution. Like a military revolt, the resulting upheaval will claim its victims and its victors. This revolution is changing the nature of our existing industry and giving rise to new, exciting technologies. It is disposing of some jobs and forging some new occupations. It demands that we, as individuals, change our attitudes; that we "revolutionize" our own way of doing things in education, in economic development and in government.

Our State Development Board has done a remarkable job of attracting large industry and bringing new jobs to South Carolina. But, as I said in my Inaugural Address, times dictate that we change our approach to economic development. It means doing the job differently in some areas and it also calls for a change in emphasis and a broadening of perspective.

We must face the changing facts.

Ten years ago more than 40% of the jobs in South Carolina were in manufacturing. Today, that number is 32% and in 10 more years it will fall to approximately 25%. Knowing this, we must acknowledge that our success at bringing new manufacturing to this state is not enough to put our 165,000 unemployed South Carolinians back to work. We must accept the fact that fulltime, permanent employment for South Carolinians in the future will depend on our ability to expand and attract service industries, information industries, food processing industries, commercial and small businesses of every kind. Modernized manufacturing industries will continue to be a vital part of this state's economic base and economic future but a parallel emphasis must be given to recruiting these new and diverse industries and businesses.

It begins with me. As Governor, I shall be spending even more of my time working with the members of our State Development Board. I want to work closely with them in achieving sound and balanced growth.

I have sent a letter to the Chairman of the Development Board, Max Heller, informing him that I shall commit one day each month travelling anywhere in the country to talk to anybody about bringing jobs to South Carolina. I also shall invite select Boards of major corporations to meet in this state and will ask for the opportunity to address them when in the state.

I am also asking the Development Board to redirect a portion of their resources and attention to Small Business in South Carolina. Included among this group are the small farmers in our state.

Small business, whether involved in agriculture or computers, is South Carolina's largest employer. Approximately 50% of our workforce is employed by small business. If we are concerned with putting our people to work then we also must be concerned about the business of small business.

These new personal initiatives are intended to demonstrate that South Carolina is totally committed to a new and prosperous economic future - that it is our first priority and that whomever it takes will do whatever it takes for as long as it takes. I shall call upon many of you for your personal time to help me with this effort.

Words, which sell the state to others, however, must be backed up by deeds - deeds which demonstrate that South Carolina is ready for these new industries and businesses and these new jobs.

First, the best evidence of that readiness is an even greater commitment to our public education. It has been said that jobs in the 1990's will require two languages: English and computer. If the people are going back to work, they must be literate in both. South Carolina must make math, science and computers an integral part of the educational program from kindergarten through graduate school.

It will mean setting long-term, permanent priorities, and it will require difficult and immediate choices. In short, it will mean an investment of money. Later, I shall make a specific proposal regarding this need but, to begin, as Governor, I am directing \$3 million of CETA money for the purchase of state-of-the-art high tech equipment for training South Carolinians at our TEC centers.

I also remind you that education begins in the early years, with a sound grasp of the basic skills. We must strengthen and stand by our commitment to early childhood education - whether we have the best of times, or the worst of times - regardless of the times.

Second, to help create new jobs, I request that you pass legislation creating the South Carolina Research Authority. This initiative will pull together all of South Carolina's public and private resources - up-to-date technology and equipment, our fine colleges and universities, and our technical colleges - our best minds - to bring our state and our people of age in a new technological world which will be built upon research.

Third, I shall submit to you legislation to create the South Carolina Job Development Fund. At this time, small business in our state needs venture capital which is affordable and available longterm.

This Fund will provide additional monies, through and with the cooperation of existing financial institutions, for sound loans to small business for a longer term at lower interest. Additionally, it will provide technical and managerial assistance when needed. But, most importantly, it will create additional longterm economic opportunity for small business in South Carolina.

Fourth, I shall again submit to you a Tax Credit for Jobs Bill, which will provide a tax credit for new full time jobs created by industry in the under-developed counties of South Carolina.

These are the longterm initiatives, but there are some immediate needs for the men and women whose jobs have been made obsolete by changing technology. As a beginning, for some of the workers who have exhausted their unemployment compensation benefits, I shall direct money from our CETA Fund for an employment and training program. This program will be designed to assist these workers in developing new skills for new job opportunities.

Tonight...right now...is the time to ready ourselves for the Twenty First Century; right now is the time to attend to our first priority - an educated, modern, technological, working South Carolina.

I said earlier that we must first face facts. Now, let me share with you some facts about South Carolina's financial situation.

For 2 years, we have witnessed steady pressure on our financial resources at every level of government. State government alone has reduced its budget over \$260 million and, at the same time, our state has had to deal with the effects of over a \$130 million in federal cuts. These actions have not been without pain or consequence, but we have lived within our means; thanks to your cooperation; thanks to the sacrifice of state employees and teachers; and, thanks to the support of our citizens.

However, if we are to provide the education that this new industrial economy demands, we must have the resources. If we want to recruit and retain teachers, we must pay them adequately. If we want to provide tax relief for homeowners, that costs money. If we expect cities and counties to protect our families and our homes from crime and fire, and provide water, sewer, garbage collection and other services, then we must accept the costs associated with those demands.

We have two choices. We can curse the times or we can accept our responsibility and move forward. I say let's move forward.

I propose to you tonight a plan that acknowledges the facts, a plan that places South Carolina in an economic position to move forward, a plan that assumes everyone should pay his or her fair share of this future, but a plan which understands that some South Carolinians are already paying too high a price.



My Tax Equity Package contains three major reforms:

First, a \$10,000 Homestead Exemption; second, a proposed 1¢ increase in the state sales tax with provisions for additional property tax relief; and third, an adjustment in our income tax which provides tax relief to low and middle income wage earners.

My proposed Homestead Exemption of 50% of home value up to \$10,000 is a fair tax break to the homeowners of South Carolina. Home appraisals have skyrocketed over the past 5 years and homeowners have demanded relief. We must answer that demand by establishing policies which help South Carolinians own and hold onto their homes. I made this proposal last year and I am more convinced than ever that it is the right action.

My next recommendation for a tax adjustment of an additional 1¢ sales tax carries with it some specific recommendations.

1. I am recommending that this General Assembly pass this tax increase by March 1st. If we can do this, all of the proceeds received by the state through June 30th would be applied to the current budget.

This action, in my opinion, would eliminate the need for any lost school days or any state employee furloughs.

2. In order to preserve our Triple A credit rating and to keep our budget manageable, I propose that all revenues from the sales tax increase received by the state from July 1st through October be used to restore our Constitutional Reserve Fund to its 5% level. This step is vital to the fiscal integrity of our state government.
3. Beginning on November 1, 1983, I propose that the funds received from this 1¢ sales tax increase be appropriated according to the following formula:
  - One third to the school districts with a 50% rollback of property taxes for at least one full tax year.  
The remaining proceeds, not applied to the rollback, must be used to improve basic skills, provide early childhood assistance, increase the competence of teachers in math, science and computer science and for renovations and energy saving repairs to school buildings.
  - The next one third to cities and counties with a 75% rollback in property taxes for at least one full tax year.
  - Finally, one third to the state's General Fund. With this money, the state shall fund one half of the \$10,000 Homestead Exemption, to which I have previously referred.

Any sales tax is a regressive tax and as such poses an unfair burden on the poor and unemployed and those on fixed incomes. I have always been opposed to raising that tax to the 5% level unless some relief was provided on food - much in the same manner and for the same reason that I initiated the phase-out of the sales tax on residential utilities. But after much research, I have been convinced that this approach is not administratively feasible.

Therefore, to provide some balanced tax relief to low and middle income taxpayers, who will bear a disproportionate burden of this sales tax increase, I propose that we make an adjustment in the state's income tax. This proposal also includes additional tax relief for our senior citizens and for those citizens who are totally disabled.

The purpose of this income tax adjustment is to provide tax relief for low and middle income taxpayers. Under this adjustment, over 1 million South Carolina taxpayers of low and middle income will get an income tax break.

This Tax Equity Package represents some tax relief and it also represents a fair assessment of tax responsibility in financing our commitment to move forward. However, we also have a responsibility in these tough times to use our state's limited resources wisely - to plan for crisis and for opportunity.

I urge this General Assembly to pass an Amendment to the State Constitution which would effect a broad constitutional spending limitation with a reduction of the Reserve Fund to 3%. This provision would also call for an additional 2% which would be budgeted for cash payment for capital improvements when economic conditions permit. If this sound provision was incorporated in the Constitution, my recommendation would call for the elimination of any future Bond Bills. This policy would save the state tens of millions of dollars each year and we should adopt it.

In addition, I shall propose four changes in our Budget process.

I am recommending that:

1. At the beginning of the budget process, the Governor shall be required to submit budgetary priorities to State Agencies in accordance with their stated missions and purpose. The Agency would then be required to respond to the Governor's specific requests in the Budget Hearings. As Governor, I do this now. I am only asking that you institutionalize this practice. Leadership and accountability are essential to meeting goals and maintaining standards.
2. In the event of a mid-year shortfall or fiscal emergency, I am recommending that the Governor be required to prepare an emergency balanced budget plan. If the General Assembly is in session, the emergency plan would go to you for approval and if not in session, the Budget and Control Board would approve the emergency budget.

3. I recommend that the Budget and Control Board revise the current budget format. The Budget submitted today is long and complex and once the STARS accounting system is prepared to provide printouts of this detailed information, we should develop a document which is more meaningful, more understandable, and more useful to all the members of this General Assembly.
4. I propose that the Budget and Control Board over the next year conduct a thorough review of our entire budgetary process, clearing up laws and regulations, and developing proposals which will make our budget and capital budget systems ones we can use with confidence. We would then present these recommendations to you for your approval.

The final issue I call to your attention is a matter of serious management concern to the state. I refer to health and human services, and specifically to the fact that the bulk of cuts in federal funding are coming out of these programs.

South Carolina needs stronger planning, coordination and fiscal management of interagency programs in health and human services. I, therefore, again, recommend that the planning and resource allocation function of three interagency programs -- Medicaid, Title XX (now known as the Social Services Block Grant), and State Health Planning -- be combined with the Cooperative Health Statistics Programs to form a consolidated State Health and Human Services Finance Commission.

This new commission would not require additional funding nor personnel, but would use existing resources within these agencies.

Tonight, my message has been about the future - about the education, the industries and the jobs of that future; about who pays for it and how; and about the responsibility of state and local government, of business and of individuals.

There are other important issues that demand our attention: our utility rate making process, the protection and preservation of our water resources, providing for a Division of Public Transportation in our State Highway Department, criminal justice reform including tougher drunkdriving laws and sentencing guidelines, nuclear waste, local government and the management of state government.

In the coming weeks, I shall be forwarding individual messages on these and other issues to you and to your respective committees.

But tonight, I deliberately decided to focus on the most critical and longterm issues before us - our state's fiscal and economic health and our peoples' educational future and jobs.

Specifically, I have addressed our economic development strategy, the fairness and adequacy of our tax system and the management of our state government.



It is important for us to confront this time of change with principles of democracy which do not change. One of those principles Cicero wrote about centuries ago: "A commonweath", he said, "is not only a collection of individuals...but an assembly of people joined in an agreement on justice and partnership for the common good."

The time between eras is always uneasy but historically these periods have also been the corridors to enormous potential - and to times of economic growth, times of social awareness, to times of cultural and artistic expression. We stand on that path tonight. As we look ahead, we can see stumbling blocks and retreat or we can see stepping stones and move forward. Again, I say let us move forward - together.